

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of

THE APPLICATION OF THE BULLOCK PEN)
WATER DISTRICT OF GRANT, BOONE, AND)
PENDLETON COUNTIES, KENTUCKY, FOR) CASE NO. 8335
APPROVAL OF AN INCREASE IN RATES)
TO BE CHARGED FOR WATER SERVICE)

INTERIM ORDER

On April 29, 1982, the Bullock Pen Water District ("Bullock Pen") filed an application for approval of proposed adjustments to its water service rates. By amended application filed May 3, 1982, Bullock Pen requested approval of a \$140,000 project for water system improvements and approval to borrow \$125,000 from the Farmers Home Administration ("FmHA"). Revenue bonds are to be issued as security for the loan. The bond repayment period is to be 40 years at 5 percent interest with a 2-year deferment on the initial principal payment. An FmHA grant of \$15,000 will supplement the \$125,000 loan. Construction bids were received by May 3, 1982.

The purpose of the proposed construction is to improve hydraulic flow within the Bullock Pen water system so as to provide more adequate and reliable service to its 1,143 customers as well as to provide capacity essential for meeting demands of the additional customers projected for the near future. Only three customers will be added by this project which can be classified primarily as non-revenue producing.

The plans and specifications prepared by William L. Clark, P.E., of Independence, Kentucky, ("Engineer") have been approved by the Division of Water of the Department of Natural Resources and Environmental Protection and are a part of the record in this matter.

A hearing was held on May 4, 1982, in the offices of the Commission at Frankfort, Kentucky, and no protests were entered. The additional information which was requested during the hearing has been received.

The time available before the expiration of contractor's construction bids (July 2, 1982) is insufficient for a comprehensive analysis of all aspects of the proposed adjustments in water service rates. This Interim Order will, therefore, address the construction and financing aspects of this case. All other matters will be addressed by a subsequent Order of this Commission.

The Commission, after consideration of the record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction includes about 13,950 feet of 8-inch feeder main which runs along KY 1548 from the water treatment plant to a point near the town of Crittenden. Due to exceptionally competitive bids for this work, other needed improvements can be made with the \$140,000 available for this project.

3. Any deviations from the approved construction which could adversely affect service to any customer should be subject to the prior approval of this Commission.

4. The proposed borrowing of \$125,000 is for lawful objects within the corporate purposes of Bullock Pen, is necessary and appropriate for and consistent with the proper performance of services to the public by Bullock Pen, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

5. The \$140,000 in project funds is about \$14,000 more than will be required for the construction approved herein. The additional improvements to be made with this \$14,000 should be those of greatest benefit to the delivery of water services by Bullock Pen. A listing of such improvements in order of priority should be furnished to this Commission for approval before any commitments are made for their construction. With this stipulation, the Commission finds that Bullock Pen's plan of financing should be approved.

6. This Commission will, by a subsequent Order, set rates necessary to provide Bullock Pen an opportunity to recover its reasonable operating costs, service its debt and provide a reasonable surplus for equity growth.

7. Bullock Pen should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

8. Bullock Pen's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

9. Bullock Pen should require the Engineer to furnish a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications, within 60 days of the date of substantial completion of this construction.

IT IS THEREFORE ORDERED that Bullock Pen be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction as set forth in the contract plans and specifications of record herein.

IT IS FURTHER ORDERED that any deviations from the approved construction which could adversely affect service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that, prior to making any commitments for the construction of additional improvements to be paid for from surplus funds, Bullock Pen shall provide this Commission with a listing of such improvements stating why they were selected for completion at this time.

IT IS FURTHER ORDERED that Bullock Pen be and it hereby is authorized to borrow \$125,000 from the FmHA at 5 percent over a 40-year period with payment of principal deferred for 2 years and to issue waterworks revenue bonds as security therefor.

IT IS FURTHER ORDERED that Bullock Pen's plan of financing in the amount of \$140,000 be and it hereby is approved.

IT IS FURTHER ORDERED that Bullock Pen shall file with this Commission duly verified documentation which shows the total costs of construction herein authorized including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between Bullock Pen and its Engineer shall require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection shall insure that the construction work is done in accordance with the contract plans and specifications and conforms with the best practices of the construction trades involved in the project.

IT IS FURTHER ORDERED that Bullock Pen shall require the Engineer to furnish this Commission with a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications, within 60 days of the date of substantial completion of the proposed construction.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 6th day of July, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. York
Chairman

Katherine Gendall
Vice Chairman

Tom Carreger
Commissioner

ATTEST:

Secretary